

# NEW INSCO MINES LTD.

(NO PERSONAL LIABILITY)



## ANNUAL REPORT

# 1976



# NEW INSCO MINES LTD.

(NO PERSONAL LIABILITY)

## HEAD OFFICE

SUITE 1203  
5 PLACE VILLE MARIE  
MONTREAL, QUEBEC H3B 2H1

## EXECUTIVE OFFICES

SUITE 306  
4198 DUNDAS STREET WEST  
TORONTO, ONTARIO M8X 1Y6

## MINE OFFICE

P.O. BOX 275  
NORANDA, QUEBEC

## OFFICERS

Chairman of the Board

**JOHN R. CAMPBELL, Q.C.**

President and Managing Director

**H. DOUGLAS HUME**

Vice Presidents

**GEORGE F. ARCHIBALD**

**H. C. SAKRISON**

Secretary-Treasurer

**JAMES WILSON**

Assistant Secretaries

**J. TODD HOLMES**

**ROBERT L. LECLERC**

## DIRECTORS

**GEORGE F. ARCHIBALD**  
**JOHN R. CAMPBELL, Q.C.**  
**ALLEN E. COMPAGNO**  
**ROBERT W. CROSBIE**  
**H. DOUGLAS HUME**

**ROBERT L. LECLERC**  
**ROBERT W.V. PURVES**  
**JOSEPH J. RANKIN**  
**HERBERT C. SAKRISON**  
**HERMAN A. SCHAEFER**  
**JAMES WILSON**

**GENERAL COUNSEL**  
DOHENY, MacKENZIE,  
GRIVAKES, GERVAIS & LeMOYNE  
MONTREAL, QUEBEC

**ONTARIO COUNSEL**  
MANLEY, GRANT & CAMISSO  
TORONTO, ONTARIO

**TRANSFER AGENT**  
CANADA PERMANENT TRUST COMPANY  
600 DORCHESTER BOULEVARD  
MONTREAL, QUEBEC, H3B 1N6  
AND  
20 EGLINTON AVE. W.  
TORONTO, ONTARIO  
M4R 2E2

**AUDITORS**  
THORNE, RIDDELL & CO.  
ROYAL TRUST TOWER  
TORONTO-DOMINION CENTRE  
TORONTO, ONTARIO



# NEW INSCO MINES LTD.

(NO PERSONAL LIABILITY)

To the Shareholders:

June 7, 1977

Your Directors are pleased to submit the 1976 Annual Report on the affairs of your company. Incorporated with this report are consolidated financial statements for the year ending December 31, 1976, including the Auditors' Statement thereon.

In spite of adverse conditions in the Canadian mining industry, we maintained the pace of our exploration effort during 1976. This pace will continue through the current fiscal year; the highest priority being a concerted effort designed to enhance the favourable picture that is developing on our uranium-columbium property at Prairie Lake, Ontario. Notwithstanding the nominal working capital deficit shown in the financial statements the company has adequate funds for its programs. Cash payments of approximately \$365,000 received in 1977 from Noranda Mines Limited under the terms of the lease on our ore body in Hebecourt Township, Quebec have provided the necessary capital for our 1977 expenditures. The following activity summary highlights our various programs.

## CURRENT EXPLORATION PROJECTS

### 1. BEAUCHASTEL TOWNSHIP PROJECT (NORANDA AREA)

This program was operated initially as a joint venture between the company and W.R. Grace & Co. until July, 1976. Grace declined to participate in further exploration and New Insko decided to continue the work alone. The Grace interest becomes diluted pro rata until it is reduced to a 10% interest in our options. At this point Grace may convert its interest into a 10% participating interest, or suffer further pro rata dilution.

On January 26, 1977, West Wasa shareholders agreed at a Special General Meeting to take over Macanda Copper Mines Ltd. by an exchange of shares. Macanda Copper, at that date, became a wholly owned subsidiary of West Wasa, the objective being to consolidate all property interests then surrender the charter of Macanda Copper. At the same time, West Wasa changed its name to West Macanda Resources Limited and consolidated its share capital on a four for one basis.

The two option agreements held by New Insko on the Macanda Copper and West Wasa properties were replaced by an agreement with West Macanda Resources Limited on the consolidated property on terms and conditions similar to the original options. The principal condition of the agreement is a right to earn a 75% undivided interest in the mining property by bringing a discovery into production at not less than 250 tons per day.

Late in May, a 2000 foot drill contract was let. Drilling is in progress approximately 2000 feet east of the old mine shaft.

### 2. PRAIRIE LAKE URANIUM PROJECT

A special report on this project was mailed to all registered shareholders on November 8, 1976, giving a full summary of property details and all known exploration data. The geological data suggests this property has excellent potential for large sized uranium-columbium ore bodies.

We find uranium-columbium elements in pyrochlore, a refractory (difficult to break down) mineral. Research on refractory ores has intensified within the past two or three years. The upturn in the uranium demand has brought with it a corresponding thrust towards development of better processing technology on refractory ores that must be exploited in future as easier-to-process uranium ores dwindle. Several new uranium-extraction processes on refractory ores have recently been reported and tested with good results in the U.K., Europe and elsewhere.



The 1977 exploration program was started in June to follow up favourable indications of ore disclosed in last year's work. A diamond drilling contract specifying a minimum of 5000 feet of AX core has been let. Progress reports on this summer's exploration will be disclosed to shareholders through the public press.

By year end we expect an all-weather road to reach this property. The Ontario Department of Natural Resources is constructing about 15 miles of new road (called the Deadhorse Road) north from the Trans-Canada Highway through the west part of our mining claims. Construction is now in progress and the road is within five miles of our drill site.

### **3. STURGEON LAKE PROJECT**

We hold outright a block of 80 claims which we staked at the west end of Sturgeon Lake. An option was negotiated with prospector W. M. Thompson, of Sioux Lookout, covering 28 claims at the east-central part of Sturgeon Lake. Both properties were acquired because we believed them to be on strike with and to host the favourable stratigraphy that produced the Mattabi Mine.

A 2500 foot drill program was conducted in April and May, 1977. Sulphides were encountered in every hole. Results on our staked claims were not as impressive as results obtained on the Thompson ground. The best intersection in a drill hole near the centre of an IP. anomaly ran 1.26% copper over 4 feet of core. Another hole 300 feet to the east yielded a 3 foot section that ran 1.63% copper.

These results warrant further geophysical studies and additional diamond drilling. Property interests are being maintained for that eventuality.

### **4. NOREX-NEW INSCO JOINT VENTURE - HEBECOURT TOWNSHIP**

During 1975 and 1976, Noranda completed its firm commitment of \$175,000 in work on the various properties included in this program. One target only was drilled on the property of Arcap Diversified; the conductor proved to be barren pyrite.

Work programs and properties have been studied and scaled down considerably. During 1977, we expect two or three geophysical anomalies to be tested by drilling under the joint venture agreement.

### **5. CLERMONT-CHAZEL TOWNSHIP PROPERTY**

Exploration studies were conducted on this 831 acre property during 1975 and '76, while awaiting results of a drilling program by Great Plains Developments approximately 800 feet west of our boundary. Copper-zinc mineralization was encountered, but results were inconclusive and Great Plains suspended drilling late in '76. Additional drilling is in progress by several major companies to the east of this claim group.

Utah International Inc. (Utah) were working a property south-west of our claims and expressed interest in testing our property. A 51/49 joint venture agreement was executed December 31, 1976, involving a commitment by Utah to drill two magnetic anomalies detected by our work. Utah reimbursed us for 51% of our expenditures.

Drilling was started by Utah early in January, but had to halt at 470 feet due to lack of water. No significant mineralization has been encountered in the first 470 feet of drilling but the hole is to be completed in June '77 to about 1000 feet.



## **6. DUVAN ORE BODY - DESMELOIZES TOWNSHIP**

We completed an I.P. Survey over the best mineralized contact on the property running for approximately 3 ½ miles in a north-west south-east direction. Strong I.P. responses were obtained but no specific drill target was highlighted, even over the old Duvan deposit. Additional follow-up geophysical work may be warranted.

## **7. LAC DUFAULT PROPERTY**

During the summer of 1976, a detailed geological study was conducted on this property as well as on adjoining properties. Efforts were directed mainly towards examining rock units that trend south from our property towards the Delbridge and Quemont Mines. Further geological evidence was adduced to confirm our earlier impressions that this property is favourable for ore deposition at the central part of the property as well as at the western portion of the claim group adjoining the Millenbach Mine of Falconbridge Copper.

This property, at the heart of the Noranda camp, remains one of our prime prospects. Property interests must be maintained and enhanced in order that exploration possibilities may be exploited in the future.

## **8. HEBECOURT SYNDICATE PROPERTIES**

### **(a) West Group**

Noranda completed an I.P. Survey last year on this property but failed to detect any indications of sulphide mineralization. No further work is being recommended at this time.

### **(b) East Group (Mine)**

First ore was shipped from the property in November. The open pit and three underground levels have been developed and are now capable of production. Because of high preproduction and operating costs and low copper prices, operations are deemed uneconomic by Noranda and mining operations were suspended indefinitely at the end of March.

February 28, 1977 was the third anniversary of the lease agreement between the Hebecourt Syndicate (the Syndicate) and Noranda Mines Limited. By that date Noranda had paid for three-quarters of the ore originally estimated in the deposit.

Effective January 24, 1977, the terms of the original lease with Noranda were revised. The revisions were deemed necessary to provide financial incentives to Noranda whereby it would be favourable for Noranda to mine or salvage a greater tonnage of low grade ore. The lease variations are expected to result in substantially more than 48,000,000 lbs. of copper being recovered but at lower unit royalty payments to the members of the Syndicate. Further details of this transaction are set out in Note No. 2 of the Auditors' Report.

At a meeting of the members of the Hebecourt Syndicate in February 1977, a \$15,000 work program for 1977 was approved. Work will consist of an I.P. Survey over the south central part of the claim group, east and south of our ore body.

## **OTHER**

### **HORNE FAULT MINES LIMITED**

We reported last year that New Inco holds 488,077 shares of this company. This represents 61% of the 800,000 issued shares of Horne Fault.

Horne Fault holds property interests in Beauchastel Township and also holds 287,586 shares of West Macanda Resources Limited. Horne Fault is now the largest single shareholder of West Macanda owning 19.17% of the 1,500,000 shares outstanding.



## GENERAL

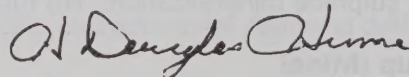
During 1977, alone and with others in joint ventures, we will explore various base metal prospects in Ontario and Quebec. We regard all our properties as well located and deserving of serious exploration.

In maintaining the pace of our base metal exploration work this year we are not losing sight of the exciting opportunities that present themselves in the uranium and columbium potential of our Prairie Lake prospect. Studies completed last year give us cause to expect that one or more economic uranium-columbium deposits may be discovered within the carbonatite pipe. A major portion of our 1977 budget has been allocated to this project. Our work during the 1977 field season will consist of a minimum of 5000 feet of diamond drilling and surface examination and prospecting over the entire carbonatite complex. We expect the current work to yield a significant improvement in the ore picture that was indicated by drilling by an earlier operator in 1969, well before uranium prices skyrocketed.

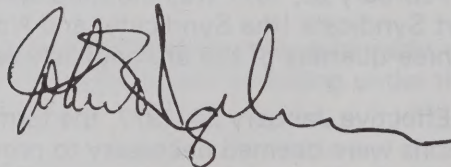
Our geologists have selected many mining properties with possible commercial potential. With funds on hand, the desire to prosper, well directed programs and a record of success, we view 1977 with a positive outlook.

Respectfully submitted,

ON BEHALF OF THE BOARD,



H. Douglas Hume  
President and  
Managing Director



John R. Campbell, Q.C.  
Chairman

# Thorne Riddell & Co.

CHARTERED ACCOUNTANTS

## AUDITORS' REPORT

To the Shareholders of  
New Insko Mines Ltd.  
(No Personal Liability)

We have examined the consolidated balance sheet of New Insko Mines Ltd. (No Personal Liability) as at December 31, 1976 and the consolidated statements of income and retained earnings, deferred exploration and development expenditures and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Toronto, Canada  
March 25, 1977

*Thorne-Riddell & Co.*  
Chartered Accountants



NEW INSCO MINES LTD.  
(No Personal Liability)  
Incorporated under the laws of Quebec

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1976

ASSETS	1976	1975
<b>CURRENT ASSETS</b>		
Cash	\$ 26,143	\$ 36,043
Short-term deposits	27,000	100,000
Accounts receivable	10,274	4,761
	<u>63,417</u>	<u>140,804</u>
SHORT-TERM INVESTMENTS IN TRUST, at cost which approximates market value (security for debentures payable)		<u>390,978</u>
<b>INVESTMENTS</b>		
West Wasa Mines Limited - 1,054,957 shares quoted market value 5¢ per share	56,866	
Advance	6,592	
Shares of mining company, at nominal value at lower of cost and market value in 1975	3	6,403
Other investment, at cost	1,057	1,057
	<u>64,518</u>	<u>7,460</u>
<b>MINING PROPERTIES AND RELATED EXPENDITURES</b> (notes 1(b) and 2)		
Mining properties	1,433,543	959,154
Deferred exploration and development expenditures	1,346,178	1,132,201
Building and equipment less accumulated depreciation (1976 - \$9,120; 1975 - \$7,823)	20,851	18,136
	<u>2,800,572</u>	<u>2,109,491</u>
	<u>\$2,928,507</u>	<u>\$2,648,733</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 44,128	\$ 42,541
Deferred income	46,666	46,666
	<u>90,794</u>	<u>89,207</u>
<b>LONG-TERM DEBT</b>		
Convertible debentures payable (note 3)	16,146	16,146
Debentures payable (note 4)		385,000
	<u>16,146</u>	<u>401,146</u>
<b>MINORITY INTEREST</b>	<u>681,165</u>	
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK (note 5)</b>		
Authorized		
7,500,000 Shares, par value \$1 each		
Issued		
3,066,593 Shares	3,066,593	3,066,593
Discount on shares	1,145,526	1,145,526
	<u>1,921,067</u>	<u>1,921,067</u>
<b>CONTRIBUTED SURPLUS</b>	156,927	156,927
<b>RETAINED EARNINGS</b>	62,408	80,386
	<u>2,140,402</u>	<u>2,158,380</u>
Approved by the Board	<u>\$2,928,507</u>	<u>\$2,648,733</u>

"H. Douglas Hume" Director  
"John R. Campbell" Director



NEW INSCO MINES LTD.  
(No Personal Liability)

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year ended December 31, 1976	Three months ended December 31, 1975 (note 8)
Income		
Royalties	\$294,660	\$70,000
Interest	<u>43,434</u>	<u>12,354</u>
	<u>338,094</u>	<u>82,354</u>
Expenses		
Administrative	135,500	30,728
Amortization of cost of mining property including expenditures thereon (note 2(a))	45,906	11,402
General exploration	112,940	23,783
Cost of mining properties abandoned during the period including exploration expenditures thereon	39,135	20,846
Write-down of shares of other mining company	6,400	
Interest on debentures	<u>18,464</u>	<u>5,775</u>
	<u>358,345</u>	<u>92,534</u>
Loss before minority interest	20,251	10,180
Minority interest in subsidiary company's loss for the period	<u>2,273</u>	<u>          </u>
LOSS (note 6)	17,978	10,180
RETAINED EARNINGS AT BEGINNING OF PERIOD	<u>80,386</u>	<u>90,566</u>
RETAINED EARNINGS AT END OF PERIOD	<u>\$ 62,408</u>	<u>\$80,386</u>
LOSS PER SHARE	Nil	Nil



NEW INSCO MINES LTD.  
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CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES

	Year ended December 31, 1976	Three months ended December 31, 1975
EXPENDED DURING THE PERIOD		
Aracp Diversified	\$ 848	
Bedard claims	3,999	
Clermont-Chazel (recovery)	(2,419)	\$ 1,387
Dokis-Bisley	805	739
Duvan	9,474	9,945
Duval	8,781	
Dufresnoy Township	6,463	
Hebecourt Sunburst (recovery)	(2,238)	237
Hebecourt East (Syndicate)	3,608	111
Killalal Lake	27,533	4,039
Macanda	10,148	8,267
Sturgeon Lake	37,108	489
West Wasa (Beauchastel)	15,098	41
General exploration expenditures	112,940	23,783
Other projects	4,315	1,940
	<u>236,463</u>	<u>50,978</u>
Acquired on acquisition of subsidiary	148,108	
BALANCE AT BEGINNING OF PERIOD	<u>1,132,201</u>	<u>1,121,028</u>
	<u>1,516,772</u>	<u>1,172,006</u>
Less		
Amortization of exploration expenditures on Hebecourt East (note 2(a))	33,000	8,176
General exploration and expenditures on properties abandoned during the period	<u>137,594</u>	<u>31,629</u>
	<u>170,594</u>	<u>39,805</u>
BALANCE AT END OF PERIOD	<u>\$1,346,178</u>	<u>\$1,132,201</u>



NEW INSCO MINES LTD.  
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CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended December 31, <u>1976</u>	Three months ended December 31, <u>1975</u>
WORKING CAPITAL DERIVED FROM		
Operations	\$188,135	\$46,393
Redemption of short-term investments in trust	390,978	
Working capital acquired on acquisition of subsidiary company	47,485	
Issue of shares of subsidiary company	2,302	
Proceeds on disposal of shares of subsidiary company	324	
	<u>629,224</u>	<u>46,393</u>
WORKING CAPITAL APPLIED TO		
Exploration and development expenditures	236,463	50,978
Additions to building and equipment	6,721	476
Acquisition of mining properties	11,983	3,750
Repayment of debentures payable	385,000	
Purchase of short-term investments in trust		5,978
Investment in West Wasa Mines Limited		
Shares	22,789	
Advances	2,211	
Acquisition of subsidiary company	43,031	
	<u>708,198</u>	<u>61,182</u>
DECREASE IN WORKING CAPITAL POSITION	78,974	14,789
WORKING CAPITAL AT BEGINNING OF PERIOD	<u>51,597</u>	<u>66,386</u>
WORKING CAPITAL (DEFICIENCY) AT END OF PERIOD	<u>\$ (27,377)</u>	<u>\$ 51,597</u>



NEW INSCO MINES LTD.  
(No Personal Liability)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1976

1. ACCOUNTING POLICIES

(a) Basis of consolidation

These consolidated financial statements include the accounts of the 61% owned subsidiary company, Horne Fault Mines Limited - Les Mines De La Faille Horne Limitee acquired during the year for a cash consideration of \$43,031. The acquisition of the subsidiary is accounted for by the purchase method. Net assets acquired at assigned values are as follows:

Current assets	\$ 50,084	
Investments	38,458	
Mining properties and related expenditures (reduced by \$1,023,108 being excess of book value of net assets over consideration)	<u>638,224</u>	\$726,766
Current liabilities	2,599	
Minority interest	<u>681,136</u>	<u>683,735</u>
Purchase consideration		<u>\$ 43,031</u>

(b) Mining properties, exploration and administrative expenditures

The company's policy is to write off all administrative and general exploration expenditures incurred during the period and to capitalize the cost of acquisition and expenditures on mining properties currently in good standing. Upon disposal or abandonment of a property, its cost and related expenditures are written off to income.

2. MINING PROPERTIES

(a) The company has a 46.67% participating interest in 12 mining claims in the Township of Hebecourt ("Hebecourt East"), Province of Quebec. By an agreement dated February 28, 1974 Noranda Mines Limited leased the orebody, as delineated in the agreement, from the participants in consideration for the following:

(i) Assuming 48,000,000 pounds of accountable copper, a royalty of 5 cents per pound payable as follows:

\$600,000 on each of February 28, 1974, 1975, 1976  
and 1977 (company's share each year \$280,000)

If more or less than 48,000,000 pounds are produced, the final payment will be increased or decreased accordingly.

(ii) Assuming production of 1,000,000 pounds of accountable copper per month commencing March, 1974, an additional royalty of one-half of the difference between 65 cents per pound and the average price per pound Noranda receives from its overseas copper sales. Should the average price be 65 cents or less, no additional royalty shall be payable and the participants shall not be penalized therefor.



NEW INSCO MINES LTD.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1976

2. MINING PROPERTIES (Cont'd)

The company along with the other participants entered into an agreement dated January 24, 1977 amending the original agreement. Among other terms in the amending agreement, the royalty of 5 cents per pound and the average price of 65 cents per pound will be indexed to the Consumer Price Index from the date of the original agreement. The effect of this indexing increases the 5 cents per pound royalty to 6.213 cents and the average price of 65 cents per pound to approximately 85 cents effective March 1, 1977. As a result, the company's February 28, 1977 royalty payment was increased by \$84,000 from \$280,000 to \$364,000.

The cost of the property together with the exploration and development expenditures thereon is being amortized on a straight-line basis over the term of the lease.

- (b) The company has an interest in a number of other option agreements covering mining properties. The company's portion of option payments and/or exploration expenditures required in the next three fiscal years to keep the options in good standing amount to approximately \$154,500, \$210,000 and \$127,500 respectively. These are not firm commitments and, accordingly, the options can be terminated at any time.

3. CONVERTIBLE DEBENTURES PAYABLE

The debentures, which are for seven years and are non-interest bearing, were issued in 1973 as consideration for certain mining claims. They are convertible into common shares of the company at the rate of \$3.00 per share, increasing to \$3.25 per share for the year ended July 1, 1978.

4. DEBENTURES PAYABLE

On October 19, 1976, the debentures payable to W. R. Grace & Co. ("Grace") were retired and the share purchase warrants held by Grace were surrendered. Grace retains interests in certain properties.

5. CAPITAL STOCK

Unissued shares are reserved as follows:

150,000	for the exercise of options under the employee incentive plan at 40 cents per share, expiring July, 1981
<u>5,382</u>	for the conversion of debentures
<u>155,382</u>	

6. INCOME TAXES

The company claims exploration and development expenditures for income tax purposes in amounts differing from those written off in the accounts. As at December 31, 1976 the company had approximately \$900,000 of such expenditures available (subject to assessment by taxation authorities) to apply against any taxable income of future years.

7. COMMITMENT

By an agreement effective April 15, 1974 the company has agreed to pay a consultant \$35,000 per year until April 15, 1978.

NEW INSCO MINES LTD.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1976

8. CHANGE IN YEAR END

The company changed its year end from September 30 to December 31 effective December 31, 1975.

9. ANTI-INFLATION LEGISLATION

The company is subject to the regulations of the Anti-Inflation Act (Canada) which became effective October 14, 1975, with respect to the payment of dividends to shareholders. Under these regulations, the company may not pay or declare a dividend in the twelve months ending October 13, 1977, unless it applies for and receives a special ruling from the Anti-Inflation Board.

10. OTHER INFORMATION

Remuneration of directors and senior officers aggregated \$132,630 for the year ended December 31, 1976 and \$33,253 for the three months ended December 31, 1975.





